



Non-financial Report 2023

Non-financial Report

of NRW.BANK for the Fiscal Year 2023

NRW.BANK complies with its reporting duty pursuant to Section 340a Para. 1a of the German Commercial Code (HGB) in the form of a non-financial report (Section 289b Para. 3 HGB) published separately from the management report.

As a an institution under public law, NRW.BANK does not fall within the scope of Regulation (EU) No. 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (“EU Taxonomy Regulation”) for the fiscal year 2023.

Chapter 1 of the management report (“Fundamental Information about NRW.BANK as the Promotional Bank of North Rhine-Westphalia”) provides a detailed description of the business model, the objectives and the strategy as well as the control system of the Bank.

As the promotional bank for North Rhine-Westphalia commissioned to support the federal state and its municipal corporations in exercising their public tasks, particularly in the fields of structural, economic, social and housing policy, in a largely budget-independent manner, NRW.BANK is geared to the principle of sustainability. This has been laid down both in Section 3 of the

Act on NRW.BANK (NRW.BANK G) and in Section 5 of the Bank’s Statutes.

Being the promotional bank for North Rhine-Westphalia, NRW.BANK bears corporate responsibility. The Bank believes that the social, ethical, environmental and economic aspects resulting from this responsibility are inextricably linked with each other. NRW.BANK understands responsibility to mean conscientious and transparent action which, in the context of its promotional mission, is geared to its customers, its employees and society as a whole. Sustainable action therefore is an important business objective of NRW.BANK.

Most importantly, the sustainability objective shapes and guides NRW.BANK’s promotional offerings. The Bank’s promotional offerings are aimed at improving the economic, environmental and social living conditions and at supporting the necessary transformation towards sustainable and future-proof economic structures.

NRW.BANK constantly develops the sustainability issue and introduced Sustainability Guidelines in early 2018, which govern the Bank’s approach to sustainability and its ongoing further development. A further developed version of the Sustainability

Guidelines came into force on January 1, 2023, which primarily takes into account the strategic considerations of NRW.BANK as well as current developments in the sustainability environment. Just like the State of North Rhine-Westphalia, NRW.BANK is committed to the goals of the Paris Agreement on Climate Change. To strengthen the future viability and competitiveness of the federal state in the long term, the Bank will continue to support its funding recipients in their transformation efforts with regard to the politically desired climate neutrality by 2045 and will align its promotional offerings accordingly. With effect from January 1, 2024, the strategically relevant aspects of sustainability were integrated into NRW.BANK's overall strategy as a cross-sectionally overarching Sustainability Strategy.

NRW.BANK's range of promotional services is based on three pillars: financing, consulting as well as functions for grant-based promotion of the State of North Rhine-Westphalia. The promotional business is geared towards different themes and divided into the promotional fields "Economy", "Housing" and "Infrastructure/Municipalities". NRW.BANK's promotional business and its further development are driven by the promotional policy principles adopted by the Board of Guarantors as well as by NRW.BANK's promotional strategy, which is based thereon. As part of the Bank-wide strategy, the latter ensures that the structural and economic policy objectives of the North Rhine-Westphalian government are implemented in the context of the promotional business.

In order to fulfil its promotional mandate and to support the structural and economic policy objectives of its owner, NRW.BANK provides monetary and non-monetary services in its promotional business, also referred to as "Förderleistung". The use of own income for reduced interest rates on promotional loans is a key component of this "Förderleistung". Moreover, NRW.BANK refrains from putting its equity capital in alternative investments yielding higher interest and, hence, income by using this capital to refinance promotional loans granted at reduced interest rates. Other components of the "Förderleistung" include the waiver of commitment fees for promotional loans, advisory services for businesses and municipalities as well as the assumption of risk.

In the further development of the contents of its promotional offerings, NRW.BANK takes current challenges for North Rhine-Westphalia into account. In 2023, the main aim was to increase the interest rate subsidies for the economic and housing promotion programmes in response to companies' reduced willingness to invest and the more difficult market conditions in the real estate sector. By taking these measures, the Bank intended to cushion the effects of the negative market environment. In the housing promotion programmes, the maximum promotion amounts were additionally increased noticeably in view of the inflation trend. The transformation of the economy remains a long-term challenge for North Rhine-Westphalia. NRW.BANK therefore continued to improve its programmes for the promotion of commercial transformation projects, added new promotional

content such as green technologies and opened them to additional target groups. In view of the reduced risk appetite of some house banks, the Bank additionally expanded its range of risk sharing via liability releases in the commercial sector. Moreover, the Bank established special risk quotas in favour of start-up and transformation financing.

Pursuant to Section 289c HGB, environmental, employee-related and social matters, the respect for human rights as well as anti-corruption and bribery matters are reportable aspects. The Bank is obliged to make such disclosures which are required to understand its development, performance, position and the impact of its activity on the non-financial aspects. Within the meaning of the statutory reporting requirements, the aspects of “environmental matters” and “social matters” are of special importance for NRW.BANK.

With regard to “environmental matters”, special promotional offerings in all three promotional fields as well as the green bond issues are derived from NRW.BNK’s strategy. For the purposes of this report, housing promotion is the single most important component of the “social matters” activities. Since 2020, the Bank has additionally issued social bonds to refinance social projects. Both aspects are also considered on the investment side in the Sustainable Bond Investment Portfolio, which comprises selective investments in green, social or sustainable bonds.

The business activity of NRW.BANK does not entail any material risks with regard to the reportable aspects. The probability of occurrence and the scope of the potential impact were considered

in the assessment. Information on the management of the risks resulting from the Bank’s business activity is provided in chapter 5 “Risk and Opportunity Report” of the management report.

Due to the limited scope of the report, no external framework has been used for the non-financial report.

Environmental Matters

In keeping with its Sustainability Strategy, NRW.BANK offers special promotional products and services to support the environmental transformation. It addresses selected aspects of the energy transition and of environmental protection, for which it uses the various components of its “Förderleistung”. For instance, NRW.BANK supports the construction of energy-efficient buildings and modern energy infrastructure by means of long fixed-interest periods and reduced interest rates. Besides the pure economic viability, compliance with statutory provisions on environmental and climate protection is always a prerequisite for the promotion of individual projects. In the reporting year, funds totalling approx. € 2.5 billion were committed for the energy transition and environmental protection.

In 2013, NRW.BANK was the first regional promotional bank in Europe to issue a Green Bond. The Bank has since issued further Green Bonds, thereby demonstrating a close link between its ecologically oriented promotional offerings and their refinancing in the international capital markets. In 2023, NRW.BANK issued a Green Bond in the amount of € 1 billion. NRW.BANK thus gives investors the possibility to place their money in sustainable and environmentally sound investments. The NRW.BANK Green Bond

programme takes up the proposals of the EU Action Plan on Sustainable Finance and the European Green Deal. The funds raised in the context of the Green Bond programme are exclusively used to refinance previously identified promotional projects based in North Rhine-Westphalia which provide a special climate and environmental benefit. To qualify for funding, the projects must make a contribution to supporting the climate policy of the State of North Rhine-Westphalia and the Federal Republic of Germany, the European Green Deal and the United Nations Sustainable Development Goals. The projects funded either help to limit the temperature increase to close to 1.5 degrees or they contribute to increased resilience in the region in order to better protect North Rhine-Westphalia from the consequences of the already visible climate change.

The focus lies on North Rhine-Westphalian water and energy projects, with the main emphasis placed on renewable energy and the renaturation of the River Emscher with a view to flood protection and biodiversity. The ecological benefit and the quality of the projects chosen for the NRW.BANK.Green Bonds are analysed and assessed by an independent agency in the context of the Second Party Opinion. Since 2015, a research institute has prepared an annual impact analysis for the latest Green Bond issued.

Since 2017, NRW.BANK has pursued the sustainability idea also on the investment side with the NRW.BANK.Sustainable Bond Investment Portfolio, whose volume increased to € 1 billion as

at December 31, 2023. This means that the target volume of € 700 million has been clearly exceeded. Bonds which meet the international voluntary principles of the International Capital Market Association (ICMA) such as the Green Bond Principles (GBP), the Social Bond Principles (SBP) or the Sustainability Bond Guidelines (SBG) for the issue of sustainable bonds qualify for the portfolio. This also ensures transparent reporting on the exact use of the funds and the effects of the projects. Moreover, an independent assessment regarding the ecological benefit and the quality (Second Party Opinion) or a certificate based on the standards of the Climate Bond Initiative is obtained from the issuers. The portfolio is being built up in compliance with the existing risk strategy and limits. As an investor, NRW.BANK thus makes a further contribution to climate protection and the further development of the sustainable bond market.

Besides the above-mentioned focal points of its promotional offerings, the Bank has introduced an environmental management system in accordance with EMAS (Eco-Management and Audit Scheme) with a view to improving the environmental performance of its own banking operations.

Social Matters

In NRW.BANK's promotional business, support for sustainability efforts is mainly provided through public housing promotion. In addition, the Bank supports, for instance, municipalities with low-interest loans for the accommodation of refugees. Another example is the granting of low-interest loans to school authorities

for the modernisation of schools, with the aim of improving the educational conditions for pupils and students in North Rhine-Westphalia.

Housing promotion in North Rhine-Westphalia plays a key role in creating affordable housing and will remain very important also in the future. In this field, NRW.BANK operates under the Law on the Promotion and Use of Housing for the State of North Rhine-Westphalia (Gesetz zur Förderung und Nutzung von Wohnraum für das Land Nordrhein-Westfalen – WFNG NRW). In the fiscal year 2023, the Bank made 2,442 housing promotion commitments with a total volume of approx. € 2.1 billion for 10,924 housing units. This means that the target volume of € 1,650 million for the year 2023 has been clearly exceeded. Equity capital is used for funding.

The multi-year housing promotion programme 2023 to 2027 in the total amount of € 9.0 billion aims to create more subsidised and thus affordable housing.

The promotion of rental housing will remain the strongest promotional segment and the focus of the promotional activities, as there is currently a shortage of affordable rental housing in many cities in North Rhine-Westphalia. The promotion of home ownership makes an important contribution to fulfilling the housing wishes of many families and to fighting old-age poverty and will therefore be expanded in line with actual requirements. To ensure high attractiveness of the public housing promotion offerings, the Bank uses not only favourable interest rates but also provides effective incentives such as repayment discounts

from compensation payments of the federal government and the federal state. The promotion of neighbourhood measures and special programmes (housing for people with impairments, for students, experimental housing construction) is in line with the state government's intention to make innovative offerings that are customised to the individual target groups and their needs. At the same time, it offers municipalities and investors a medium-term financing perspective for larger projects.

NRW.BANK was the first German promotional bank to issue a social bond in 2020. The Bank continued to expand its presence in the market for social bonds and placed a € 1 billion social bond as well as an A\$ 300 million social bond in 2023.

With regard to the social benefit, NRW.BANK obtains an independent assessment (Second Party Opinion). The NRW.BANK Social Bond mainly refinances projects aimed at promoting private home ownership, especially for families, the protection and creation of jobs as well as the support of municipalities, e.g. in the field of school education. In addition, projects from the healthcare sector, especially in the form of hospital financing, as well as complementary projects to finance nursing and other care facilities as well as disaster management organisations were supported. The social bonds thus comply with the Social Bond Principles (SBP) of the ICMA.

Thematically, the social bonds primarily aim to support young families in acquiring (affordable) homes. Lending to small and medium-sized enterprises helps to secure or create jobs. By financing the construction of new and the renovation of existing

kindergartens, schools and universities, the Bank intends to improve the employment prospects of all those entering the labour market. Finally, the loans granted by NRW.BANK to disadvantaged municipalities are also refinanced via the Social Bond. The funds made available via NRW.BANK help to secure the supply of public goods and services for the population.

Düsseldorf/Münster, February 14, 2024



Eckhard Forst
Chairman of the Managing Board



Gabriela Pantring
Deputy Chairwoman
of the Managing Board



Claudia Hillenherms
Member of the Managing Board



Michael Stölting
Member of the Managing Board

Independent auditor's report on a limited assurance engagement

To NRW.BANK, institution under public law, Düsseldorf and Münster

We have performed a limited assurance engagement on the non-financial report included in the of NRW.BANK, institution under public law, Düsseldorf and Münster, (hereinafter the "Bank"), which comprises the "Fundamental Information about NRW.BANK as the Promotional Bank of North Rhine-Westphalia" and "Risk and Opportunity Report" section of the management report incorporated by reference, for the period from 1 January 2023 to 31 December 2023 (hereinafter the "non-financial Reporting").

Responsibilities of the executive directors

The executive directors of the Bank are responsible for the preparation of the non-financial Reporting in accordance with Sec. 340a in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder of the non-financial Reporting.

These responsibilities of the Bank's executive directors include the selection and application of appropriate methods for the preparation of the non-financial Reporting and making assump-

tions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial Reporting that is free from material misstatement, whether due to fraud (manipulation of the non-financial Reporting) or error.

Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the non-financial Reporting based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Bank’s non-financial Reporting is not prepared, in all material respects, in accordance with Sec. 340a in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of the executive directors and relevant employees regarding the selection of topics for the non-financial Reporting, the impact and risk assessment and the policies of the Bank for the topics identified as material,
- Inquiries of the executive directors and relevant employees involved in the preparation of the non-financial Reporting

about the preparation process, about the internal controls related to this process as well as disclosures in the non-financial Reporting,

- Inspection of the relevant documentation of the systems and processes for collecting, aggregating and validating relevant data in the reporting,
- Identification and assessment of risks of material misstatement in the non-financial Reporting,
- Analytical procedures on selected disclosures in the non-financial Reporting,
- Inquiries, inspection of sample documents and obtaining evidence relating to the collection and reporting of selected disclosures in the non-financial Reporting,
- Reconciliation of selected disclosures with the corresponding data in the annual financial statements and management report,
- Assessment of the scope of application according to Art. 1 of the EU Taxonomy Regulation with respect to the Bank by the executive directors,
- Evaluation of the presentation of disclosures in the non-financial Reporting.

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial Reporting of the Bank for the period from 1 January 2022 to 31 December 2022 is not prepared, in all material respects, in accordance with Sec. 340a in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder.

Note on details of a specific issue

We draw attention to the statements of the executive directors in the non-financial report on the non-applicability of the EU Taxonomy Regulation. Our assurance conclusion on the non-financial report is not modified in this respect.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Bank's purposes and that the report is intended solely to inform the Bank about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Bank alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

The enclosed "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] on 1. Januar 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties

unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Düsseldorf, February 15, 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Gundelach
Wirtschaftsprüferin
[German Public Auditor]

Hassel
Wirtschaftsprüfer
[German Public Auditor]

This is an unofficial translation of the Nichtfinanzieller Bericht 2023 (German Non-financial Report 2023) and is provided for convenience purposes only. In the event of any ambiguity, the German text will prevail.